

## Message Text

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C O N F I D E N T I A L SECTION 1 OF 2 MONTEVIDEO 0033

E.O. 11652: GDS

TAGS: EAID, ECON, PGOV, PINT, UY

SUBJ: YEAR END REVIEW OF ECONOMY, 1974 DEVELOPMENT PROSPECTS,  
AND POLITICAL SETTING.

REF: TOAID A-113 (DAP TRANSMITTAL)

1. SUMMARY. THIS REPORT REVIEWS THE STATE OF URUGUAY'S ECONOMY  
AT THE END OF 1973 PARTICULARLY AS IT AFFECTS DEVELOPMENT  
PROSPECTS FOR 1974.

IT ALSO DISCUSSES THE PRESENT STATUS OF SOME OF THE MORE IM-  
PORTANT POLICY AND REFORM DECISIONS ANNOUNCED AT THE SAN MIGUEL AND  
COLONIA SUIZA MEETINGS. IT CONCLUDES THAT DEVELOPMENT PROSPECTS FOR  
1974 ARE MIXED, PRIMARILY BECAUSE OF A LARGE INCREASE IN THE  
PETROLEUM IMPORT BILL. HOWEVER, THE GOU APPEARS MORE THAN  
EVER DETERMINED TO STIMULATE DEVELOPMENT AND REFORM, WITH SPECIAL  
EMPHASIS ON EXPORT PROMOTION. THE POLITICAL SETTING FOR THE ECONOMIC  
DEVELOPMENT AND REFORM EFFORT WHICH HAS BOTH POSITIVE AND NEGATIVE  
FEATURES IS ALSO ANALYZED. THE REPORT ENDS WITH A MISSION RECOM-  
MENDATION THAT THE FY1974-75 DEVELOPMENT ASSISTANCE PROGRAM (DAP)  
BE FAVORABLY CONSIDERED AS IT WOULD IMPORTANTLY ASSIST URUGUAY DURING  
A SHORT-TERM TRANSITION PERIOD AS IT FACES THE DIFFICULT ECONOMIC AND  
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SOCIAL COSTS OF IMPLEMENTING ITS DEVELOPMENT PROGRAM. END SUMMARY.

2. WHILE YEAR-END STATISTICS HAVE NOT BEEN PUBLISHED, IT APPEARS THAT  
URUGUAY ENDED 1973 WITH A FAVORABLE TRADE BALANCE AND, ACCORDING TO

PLANNING DIRECTOR COHEN, ENJOYED A SURPLUS OF \$20 MILLION IN ITS BALANCE OF PAYMENTS. PRIMARILY BECAUSE OF 180-DAY IMPORT CREDIT REQUIREMENTS, WHICH HAVE DELAYED A SUBSTANTIAL PART OF THE 1973 IMPORT BILL IN 1974, URUGUAY WAS ABLE TO PAY OFF ABOUT \$90 MILLION IN SHORT-TERM DEBTS THIS

PAST YEAR IN ORDER TO RE-ESTABLISH ITS INTERNATIONAL CREDIT STANDING. ACCORDING TO COHEN, INFLATION RATE FOR 1973 WAS ABOUT 80 PERCENT AND THE CENTRAL GOVERNMENT BUDGET DEFICIT WAS HELD BELOW 30 BILLION PESOS (WITHIN IMF TARGET GOALS SET FOR 1972 STANDBY). IN RECENT PRESS CONFERENCE, PRESIDENT BORDABERRY ANNOUNCED THAT GDP ROSE BY ONE PERCENT IN 1973 AFTER TWO YEARS OF DECLINE.

3. URUGUAYAN HOPES FOR ACCELERATED ECONOMIC GROWTH IN 1974 WERE GIVEN A RUDE BLOW IN DECEMBER WITH ANNOUNCED INCREASES IN PETROLEUM PRICES WHICH WOULD COST ABOUT \$150 MILLION IN 1974, AS AGAINST \$50 PLUS MILLION IN 1973, IF IMPORT VOLUMES REMAINED THE SAME. VARIOUS MINISTERS HAVE INFORMED US THAT ECONOMIC REFORMS ANNOUNCED AT SAN MIGUEL AND COLONIA SUIZA NO LONGER REPRESENT LONGER TERM DEVELOPMENT GOALS, BUT NOW ARE ABSOLUTE NECESSITIES AS URUGUAY MUST NOW DEVELOP ITS EXPORT SECTOR ON A CRASH BASIS IN ORDER TO SURVIVE ECONOMICALLY. COHEN NOW ESTIMATES BALANCE OF PAYMENTS IN 1974 WILL BE IN DEFICIT BY BETWEEN \$30-\$40 MILLION. HAVING BEEN NEGATIVELY CONSIDERED AT TIME OF DECEMBER IMF TEAM VISIT, AN IMF STANDBY AGREEMENT FOR 1974 WILL NOW BE ACTIVELY RESTUDIED AND COHEN'S OPINION IS THAT STANDBY APPLICATION WILL BE MADE.

4. A PUBLIC AND PRIVATE SECTOR WAGE INCREASE OF 33 PERCENT HAS BEEN GRANTED AS OF JANUARY 1, AND SERIES OF PRICE INCREASES HAVE ALSO BEEN ANNOUNCED. PRICE OF PREMIUM GAS WENT UP FROM 255 PESOS PER LITER TO 560 PESOS (ABOUT \$2.25 PER GALLON) ON DECEMBER 28 AND ON JANUARY 3 PRICES OF LARGE QUANTITY CONSUMER ITEMS AND PUBLIC SERVICE CHARGES WERE INCREASED. COST OF LIVING INDEX EXPECTED TO JUMP 19 PERCENT IN JANUARY BUT OVERALL TARGET FOR YEAR WILL BE 60-65 PERCENT, OF WHICH 15-20 PERCENT EXPECTED TO REPRESENT IMPORTED INFLATION.

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5. ECONOMIC SITUATION AT END OF YEAR IS THUS MIXED. INFLATION CONTINUES AT HIGH RATE AND EXPORTS HAVE NOT BEEN MOVING AT EXPECTED LEVELS. THERE ARE, HOWEVER, LARGE QUANTITIES OF MEAT AND WOOL AVAILABLE FOR EXPORT THE LABOR SITUATION IS TRANQUIL; FOREIGN EXCHANGE RESERVES ARE AMPLE AT LEAST FOR SHORT-TERM, HAVING INCREASED SOME \$60 MILLION IN 1973; BUSINESS CONFIDENCE IS HIGHER THAN FOR SOME YEARS; AND THERE ARE REPORTEDLY NUMEROUS FOREIGN INVESTMENTS PLANNED WHEN NEW FOREIGN INVESTMENT AND INDUSTRIAL PROMOTION LAWS ARE PROMULGATED.

6. WHETHER URUGUAY CAN ABSORB PETROLEUM AND RELATED IMPORT COST INCREASES WHILE MOVING OUT OF STAGNATION TO GROWTH STAGE DEPENDS ON MAINTENANCE HIGH WORLD PRICES FOR ITS EXPORTS (PRINCIPALLY MEAT

AND WOOL) AND RAPID IMPLEMENTATION ECONOMIC POLICY REFORMS  
ANNOUNCED AT SAN MIGUEL AND COLONIA SUIZA.

7. PRESENT STATUS OF SAN MIGUEL AND COLONIA SUIZA GUIDELINES AND  
DECISIONS.

A) FOREIGN INVESTMENT AND INDUSTRIAL PROMOTION LAWS. LEGISLATION  
HAS BEEN INTRODUCED IN THE COUNCIL OF STATE AND IT IS EXPECTED THAT  
THESE LAWS WILL BECOME EFFECTIVE IN JANUARY 1974.

B) MONETARY CORRECTION. WHILE MONETARY CORRECTION HAS BEEN  
STUDIED BY VARIOUS AGENCIES SINCE AUGUST, CENTRAL BANK HAS NOT BEEN  
ASSIGNED RESPONSIBILITY TO FORMULATE DEFINITE SYSTEM WHICH WILL BE  
APPLIED TO DEBTS TO PUBLIC SECTOR, TAX PAYMENTS, BANK DEPOSITS AND  
LOANS. MONETARY CORRECTION SCHEMES ALREADY EXIST FOR HOUSING AND  
AGRICULTURAL DEVELOPMENT LOANS. GENERAL APPLICATION OF SYSTEM TO  
PROVIDE POSITIVE INTEREST RATES FOR LOANS AND SAVINGS ACCOUNTS  
EXPECTED BY MID-YEAR.

C) EXCHANGE RATE POLICY. SYSTEM OF MINI-DEVALUATIONS WILL CONTINUE  
ALTHOUGH COMMERCIAL RATE HAS FALLEN WELL BEHIND INTERNAL INFLATION  
AND SOME INDUSTRIES CANNOT EXPORT PROFITABLY AT CURRENT RATE. GOU  
DECISIONS ON HOW IT PLANS TO RESTORE EQUILIBRIUM BETWEEN DEVALUATIONS  
AND HIGH INFLATION RATES HAVE YET TO BE ANNOUNCED. FINANCIAL RATE RE-  
MAINS SLIGHTLY BELOW COMMERCIAL RATE BUT INDICATIONS ARE THAT IT  
WILL BE OPENED TO MORE TRANSACTIONS DEMANDING DOLLARS WHICH MAY MOVE  
THE RATE UPWARD IN COMING WEEKS.

D) ANTI-INFLATIONARY POLICY. REDUCTION OF INFLATION RATE TO 60  
PERCENT TARGETED FOR 1974. EFFECT OF PETROLEUM PRICES IS ESTIMATED TO  
CAUSE 15 PERCENT INCREASE ALONE. BASIC FOOD ITEMS OF PRIME NECESSITY  
ARE NOW BEING SUBSIDIZED, WHICH TOGETHER WITH OTHER SUBSIDIES  
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WILL ADD APPROXIMATELY 40 MILLION PESOS TO GOU BUDGET. ANTI-INFLA-  
TIONARY PROGRAM REFLECTS COMBINATION OF VARIOUS POLICIES: WAGE  
RESTRAINTS WHICH HAVE SO FAR KEPT REAL WAGES BELOW 1971 LEVELS,  
BUDGETARY RESTRAINT WHICH KEPT DEFICIT IN 1973 TO HALF 1972 RATE IN  
REAL TERMS; PROGRAMS FOR IMPORT LIBERALIZATION AND SIMPLIFICATION  
AND POSITIVE INTEREST RATES TO STIMULATE SAVINGS AND ALLOCATE  
RESOURCES MORE EFFICIENTLY WILL HAVE LONGER TERM STABILIZATION  
EFFECT AND OVER TIME WILL FOSTER INCREASED INDUSTRIAL PRODUCTION.

E) PRICE DECONTROLS. PRICES HAVE BEEN DECONTROLLED TO LIMITED EX-  
TENT BY ESTABLISHMENT THREE CATEGORIES ACCORDING TO IMPACT  
COMMODITIES

ON HOUSEHOLD BUDGETS. LUXURY GOODS HAVE BEEN ALMOST ENTIRELY SET FREE  
WITH ONLY REQUIREMENT OF NOTIFICATION OF INCREASES.  
INTERMEDIATE GOODS

CAN BE FREED IF NO OBJECTION RAISED BY PRICE AND WAGES BOARD (COPRIN)  
WHILE INCREASES IN PRICES FOR NECESSITIES REQUIRE AFFIRMATIVE ACTION  
BY BOARD.

F) SOCIAL SECURITY REFORM. DRAFT LAW FOR REFORM HAS BEEN PRE-  
PARED AND IS EXPECTED TO BE SUBMITTED TO COUNCIL OF STATE BY THE END  
OF JANUARY. EFFECT OF PROPOSED LAW WILL BE TO RESTRICT ENTRY INTO  
REFORMED SYSTEM BUT ACQUIRED RIGHTS WILL BE PROTECTED. ECONOMIC  
EFFECTS

OF LAW WILL BE REALIZED GRADUALLY OVER TIME.

G) INVESTMENT PLAN. MISSION STILL AWAITING AN INVESTMENT PLAN FOR CENTRAL GOVERNMENT, THE AUTONOMOUS AGENCIES AND STATE ENTERPRISES.

H) CIVIL SERVICE REFORMS. WE UNDERSTAND THAT MANPOWER UTILIZATION AND JOB CLASSIFICATION STUDIES ARE UNDERWAY AND THAT THERE IS A PROPOSAL TO RETRAIN SURPLUS PUBLIC EMPLOYEES FOR PRIVATE SECTOR EMPLOYMENT. THIS WILL BE A PROLONGED EFFORT AND IT IS UNLIKELY THERE WILL BE ANY REAL IMPACT DURING 1974.

I) SIMPLIFICATION OF EXPORT PROCEDURES. A COMMISSION HAS PRESENTED ITS CONCLUSIONS TO THE GOVERNMENT AND IT IS EXPECTED THAT A DECREE OR LAW WILL BE ISSUED IN JANUARY 1974 GREATLY SIMPLIFYING EXPORT PROCEDURES. ONE EXPORT DOCUMENT PROCESSED IN ONE CENTRAL OFFICE IS BASIS OF NEW SYSTEM BASED ON PROCEDURES NOW IN EFFECT IN PERU.

J) IMPORT LIBERALIZATION. QUOTA AND CREDIT CONDITIONS ARE TO BE REMOVED IN 1974 FOR SCARCE RAW MATERIAL IMPORTS. AVERAGE REDUCTION

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OF REQUIRED IMPORT CREDITS FROM 180 TO 90 DAYS WILL BE EFFECTED IN COURSE OF YEAR. EXPORT INDUSTRIES WILL RECIEVE HIGHEST PRIORITY IN IMPORTS CAPITAL GOODS, RAW MATERIALS, AND SPARE PARTS. IMPORT LIBERALIZATION FOR LOWER PRIORITY GOODS WILL BE DEPENDENT ON FOREIGN EXCHANGE AVAILABILITIES. THESE MEASURES CAN BE EFFECTED BY CENTRAL BANK CIRCULARS WITHOUT NECESSITY DECREES OR LAWS.

K) REFORM OF FINANCIAL SYSTEM. WE ARE TOLD THAT BANK OF THE REPUBLIC (BOR) IS UNDER FIRM GOU (AND MILITARY) ORDERS TO REDUCE DELAYS AND RED TAPE IN PROCESSING DEVELOPMENT LOANS AND GUARANTIES. A CHARTER REVISION BROADLY RESTRUCTURING BOR, INCLUDING ESTABLISHMENT OF NEW DEVELOPMENT BANKING DEPARTMENT, IS UNDER PREPARATION AND SHOULD BE IMPLEMENTED EARLY IN 1974. A BANKING REFORM LAW, ALONG THE LINES ANNOUNCED AT COLONIA SUIZA, IS ABOUT TO BE SUBMITTED TO THE COUNCIL OF STATE.

8. THERE ARE 52 ACTIONS IN ELEVEN SEPARATE ACTS OF SAN MIGUEL AND COLONIA SUIZA MEETINGS WHICH ARE IN PROCESS OF STUDY AND DECISION. THIS EFFORT AT MAJOR RESTRUCTURING OF ECONOMY AND INSTITUTIONAL REFORMS HAS RUN INTO VARIOUS DELAYS BUT STEADY PROGRESS IS BEING MADE IN ESTABLISHING LEGAL FRAMEWORK FOR THESE REFORMS. QUESTIONS REMAIN ABOUT CAPABILITY OF GOU AGENCIES TO IMPLEMENT EFFECTIVELY NEW POLICIES AND LAWS. HOWEVER, IN A FEW SPECIFIC AREAS, REFORM EFFORTS  
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HAVE BEEN EFFECTIVELY UNDERTAKEN. NATIONAL RAILWAY, AIRLINE AND PORT ADMINISTRATION ARE UNDER STRONG NEW LEADERSHIP AND APPEAR TO HAVE MADE PROGRESS IN IMPROVING SERVICE AND MANAGEMENT. NEGOTIATIONS WITH ARGENTINA AND BRAZIL HAVE RESULTED IN NEW CREDITS TO CENTRAL BANK AND DISCUSSIONS WITH ARGENTINA ON A SERIES OF POSSIBLE JOINT PROGRAMS IN EXPORT PROMOTION, INDUSTRIAL DEVELOPMENT, AND OIL EXPLORATION ARE UNDERWAY.

9. POLITICAL SETTING FOR DEVELOPMENT IN 1974.

A) THE MAJOR POLITICAL FOCUS OF PRESENT-DAY URUGUAY IS THE USE AND INSTITUTIONALIZATION OF A SUFFICIENTLY STRONG EXECUTIVE AUTHORITY TO TAKE ACTIONS TO REVERSE TWENTY YEARS OF ECONOMIC DECAY AND INSTITUTIONAL

DETERIORATION AND TO ASSURE NATIONAL ORDER. IT IS THIS RESOLVE WHICH UNITES THE CIVILIAN PRESIDENT, THE MILITARY, AND THE POLITICAL SUPPORT WHICH THE GOVERNMENT ENJOYS. IT IS ALSO A RESOLVE WHICH, ACCORDING TO PUBLIC OPINION SURVEYS DURING THE LAST YEAR, ENJOYS WIDESPREAD SUPPORT.

B) THE RESOLUTION OF URUGUAY'S PROBLEMS INVOLVES COMPLEX AND OFTEN CONTROVERSIAL DECISIONS, AND IT IS THEREFORE NOT WITHOUT SOME UNCERTAINTY AND HESITANCY THAT THE POPULACE AND THE GOVERNMENT HAVE APPROACHED THIS NEW PERIOD. THERE EXISTS A LINGERING REGRET OVER SOME CURTAILMENT OF DEMOCRATIC INSTITUTIONS, WHICH WERE FOR SO LONG THE PRIDE OF URUGUAY. THERE IS GRUMBLING OVER THE GOVERNMENT'S ECONOMIC PERFORMANCE TO DATE (WHICH COULD SOON RESULT IN CHANGES IN MINISTERIAL POSITIONS) AND THERE REMAINS A NUMBER OF DECISIONS TO BE MADE ON THE TIMING AND EXTENT OF REFORMS. THIS SMALL COUNTRY ALSO REMAINS EXTRAORDINARILY DEPENDENT ON EXTERNAL FACTORS -- WITNESS THE RECENT TRIPLING OF PETROLEUM PRICES -- WHICH COULD SERIOUSLY UNDERCUT THE EFFECTS OF CONSTRUCTIVE DOMESTIC POLICIES. FINALLY, THE POLITICAL SCENE IS COMPLICATED BY THE EXISTENCE OF A NUMBER OF POWER BASES, ESPECIALLY WITHIN THE MILITARY, WHICH MAKES IT DIFFICULT TO DETERMINE THE REAL SOURCES OF POWER AND INFLUENCE ON ANY SINGLE ISSUE. YET, DESPITE THESE UNCERTAINTIES, THE OVERALL PICTURE IS ONE OF FIRM RESOLUTION AND PURPOSE.

C) THERE IS WIDESPREAD AGREEMENT ON THE NEED TO PROMOTE INVESTMENT, EFFICIENCY AND A TRANSFER OF RESOURCES TO THE KEY AGRICULTURAL SECTOR. THE GOVERNMENT IS DETERMINED TO MAINTAIN PUBLIC ORDER, IS PROMULGATING LAWS ON INDUSTRIAL INVESTMENT INCENTIVES AND FOREIGN INVESTMENT AND HAS INITIATED PROGRAMS TO REFORM THE SUFFOCATING  
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BUREAUCRACY AND THE EXCESSIVELY COSTLY AND INEFFICIENT  
SOCIAL SECURITY

SYSTEM. AGRICULTURAL POLICY IS AIMED AT PROVIDING ATTRACTIVE PRICES  
TO THE FARMERS WHILE INCREASING TAXES ON INEFFICIENTLY USED LAND.  
THESE ARE POLICIES LONG NEEDED AND LONG SUPPORTED BY CIAP, AID  
AND INTERNATIONAL ORGANIZATIONS.

D) THERE ARE BOTH NEGATIVE AND POSITIVE ASPECTS TO THIS POLITICAL  
SCENE. THE MANEUVERING AMONG THE NUMEROUS POWER BASES WITHIN THE  
MILITARY COULD RESULT IN THE STRENGTHENING OF "HARD LINE" ELEMENTS  
POTENTIALLY DISPOSED TO REMOVING THE REMAINING VESTIGES OF DEMO-  
CRATIC, CONSTITUTIONAL GOVERNMENT. THE FAILURE OF THE GOVERNMENT'S  
POLICIES COULD RETURN THE COUNTRY AGAIN TO THE DESTRUCTIVE POLITICAL  
AND SOCIAL AGITATION -- THE ABUSES OF DEMOCRATIC INSTITUTIONS --  
WHICH

FIRST MOTIVATED THE MILITARY INTO ASSUMING AN OPEN POLITICAL ROLE.

E) IN ALL, HOWEVER, THE POLITICAL SCENE IS FAR FROM SOMBER. DIF-  
FERENCES BETWEEN CIVILIAN AND MILITARY GROUPS OR WITHIN THE MILITARY  
HAVE SO FAR INVOLVED PERFORMANCE RATHER THAN BASIC POLICY ORIENTATION  
OR GOALS. EVEN AMONG THE MILITARY HARD-LINERS (E.G. SECOND ARMY  
DIVISION COMMANDER GENERAL EDUARDO ZUBIA), THERE EXISTS CONSIDER-  
ABLE AWARENESS THAT GOVERNMENTAL POLICIES ARE LIKELY TO BE MORE  
SUCCESSFUL IF MODERATED BY TEMPERANCE AND DIRECTED AT ACHIEVING  
RESTORATION OF DEMOCRATIC INSTITUTIONS. AND THE OVERALL GOAL OF THE  
ADMINISTRATION REMAINS THE EVENTUAL RETURN TO FULL DEMOCRACY ONCE  
THE NECESSARY ECONOMIC-SOCIAL BASE FOR POLITICAL LIBERTY HAS BEEN  
RESTORED.

F) THE GOU'S OWN DETERMINATION TO RESOLVE THE COUNTRY'S ECONOMIC  
AND INSTITUTIONAL PROBLEMS, SHARED AS IT IS BY KEY GROUPS WITHIN THE  
CIVILIAN AND MILITARY SECTORS, REFLECTS A COMMITMENT TO SELF-HELP  
WHICH PROVIDES THE BEST POSSIBLE BASIS FOR ENDING LONG YEARS OF  
ECONOMIC STAGNATION. THE PRESENT MIXTURE OF CIVILIAN-MILITARY  
INFLUENCE PROBABLY REPRESENTS THE BEST HOPE FOR AN EVENTUAL RETURN  
TO A FUNCTIONING DEMOCRACY. MOREOVER, IN THE INTERIM, THE PRESENT  
GOVERNMENT REFLECTS A MODERATE INTERNATIONAL POSTURE WHICH HAS  
AVOIDED EXTREME NATIONALISM IN FAVOR OF MATURE POSITIONS IN  
INTERNATIONAL FORA.

G) IT IS OBVIOUS THAT EVEN WITH EFFECTIVE ECONOMIC PERFORMANCE  
OVER THE SHORT TERM, AND FAVORABLE WORLD MARKET CONDITIONS FOR  
URUGUAY'S EXPORTS, TANGIBLE RESULTS OF THE NEW POLICIES MAY NOT BE  
EVIDENT IN LESS THAN TWO OR THREE YEARS CONSIDERING THE MAGNITUDE  
OF THE TASKS AND THE NEED TO REVERSE 20 YEARS OF DETERIORATION.  
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10. THE MISSION BELIEVES IT TO BE IN THE US INTERESTS TO HELP THE  
BORDABERRY ADMINISTRATION WEATHER THE EXPECTED SHORT TERM DIFFI-  
CULTIES BY PROVIDING THE ECONOMIC AND TECHNICAL ASSISTANCE PROPOSED  
IN THE FY 1974-75 DAP. IN LIGHT OF THE BLEAK BALANCE OF PAYMENTS  
PROSPECTS  
FOR 1974, WE PARTICULARLY URGE FAVORABLE CONSIDERATION OF THE

PROPOSED CAPITAL GOODS IMPORT LOAN, WHICH COULD PROVIDE TIMELY SUPPORT IN ALLEVIATING THE BALANCE OF PAYMENTS SITUATION AND EXPANDING PRODUCTION FOR EXPORT. BORDABERRY'S ECONOMIC DEVELOPMENT PROGRAM IS BASICALLY SOUND, FEASIBLE OF ATTAINMENT AND IS POSSIBLY THE BEST OF ITS KIND THAT ANY URUGUAYAN GOVERNMENT COULD REALISTICALLY PROPOSE.

HE HAS AN ADEQUATE, IF NOT OUTSTANDING, ECONOMIC TEAM WHICH IS ACTIVELY

ENDEAVORING TO IMPLEMENT THE DEVELOPMENT PROGRAM. BORDABERRY'S FOREIGN POLICY HAS BEEN POSITIVE WITH RESPECT TO US INTERESTS.

11. THIS MISSION CONSIDERS URUGUAY'S PROSPECTS OVER THE SHORT AND MEDIUM TERM TO BE HOPEFUL IF THE BORDABERRY ADMINISTRATION CAN MOVE RESOLUTELY AHEAD WITH ITS DEVELOPMENT AND REFORM INITIATIVES, IF THERE IS REASONABLE CONTINUITY IN PRESENT LEADERSHIP, AND IF EXTERNAL ASSISTANCE, GEARED TO MEANINGFUL ECONOMIC PERFORMANCE, IS MADE AVAILABLE IN A WAY TO EASE THE DIFFICULT TRANSITION FROM STAGNATION TO RECOVERY.

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